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A Work of Recovery

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LARRY P. ARNN, the twelfth president of Hillsdale College, received his B.A. from Arkansas State University and his M.A. and Ph.D. in government from the Claremont Graduate School. From 1977 to 1980, he also studied at the London School of Economics and at Worcester College, Oxford University, where he served as director of research for Martin Gilbert, the official biographer of Winston Churchill. From 1985 until his appointment as president of Hillsdale College in 2000, he was president of the Claremont Institute, an education and research organization based in Southern California. In 1996, he was the founding chairman of the California Civil Rights Initiative, the voter-approved ballot initiative that prohibited racial preferences in state employment, education, and contracting. He has been published widely in national newspapers and opinion journals and sits on the board of directors of several organizations, including the Heritage Foundation, the Army War College, and the Henry Salvatori Center of Claremont McKenna College.

The autumn of 2008 has brought events in politics and economics that touch upon the meaning of our country and how it shall be governed in the future. These events are, as Lincoln said of the results of the Civil War, both “fundamental and astounding.” They bring us another step away from the principles and institutions that have made our country both good and great.

It is time now for recovery, both economic and political. The two are related, but I will speak here mainly of political recovery, which will in the end determine economic policy for many years. The goal of that recovery, I will argue, is simple to state: we must recover the art of constitutional government. The means are also simple to state: we must begin by studying that art. That is because we have lost sight of it, and so its beauty is obscure to us today. If we can but see it again, its beauty will call to us as it ever has.

That we have lost sight of it is plain in several things that have happened to provoke and to worsen the economic crisis of the last three months and in our reaction to that crisis. It is also plain in the political campaign now blessedly ended. I will

select one of those things, a certain reaction by John McCain that was particularly revealing. But I use this only as an example of many things that have happened in both political parties and across the government. John McCain is a fine man, indeed one of the finest, and by no means the worst in his understanding of constitutional government.

Crisis and Response

Begin with what happened. One of the worst financial crises in American history broke into public view in the first ten days of September. Several of the oldest and largest financial institutions in the world were wiped out, almost without warning, all of them highly profitable until the very eve of their demise. The government rescued the largest insurance company in the world. Two quasi-public corporations, Fannie Mae and Freddie Mac, that invest in about half the mortgages in the United States were also rescued. For several days the regular system of credit transfers that makes commerce possible was nearly frozen. The stock market has lost more than 40 percent of its value. Most recently, the financial crisis has abated at least partially, thanks in part to vigorous steps to combat it by the Federal Reserve and the Treasury. Now recession is upon us, and it is likely to be sharp and may be prolonged.

The political race was transformed by the financial crisis. It came at a terrible time for the McCain campaign, which compounded the

injury by responding badly. The fact that the Senator responded so badly points to his share in the worst problem exposed by the crisis. That problem has very much to do with economics, but its heart is in politics, and it concerns the Constitution.

The two biggest events in the September meltdown happened over the weekend. On Sunday, September 7, the Treasury Department announced its \$200 billion bailout of the two quasi-public corporations, Fannie Mae and Freddie Mac. For years the *Wall Street Journal* and others had been warning that there was trouble coming from those agencies. John McCain himself and others in Congress and in the Bush administration had given the same warnings and moved to limit the risk. These efforts were unsuccessful because of the political protection, mostly from the left in Congress, that Fannie and Freddie enjoyed. They enjoyed this protection for several reasons, one being

that supporting home ownership is popular.

The weekend following the bailout of Fannie and Freddie was another busy one. This time Lehman Brothers, an old investment bank, was in trouble. And this time, in the main, the government decided to let Lehman Brothers fail. On the one hand, Lehman had been trading securities that were risky, highly leveraged, and financed with short-term borrowings. This was a prescription for disaster, and it has led to calls for more, or new and better, forms of regulation. The latter is needed. At the same time, it must be noted that the securities in question are mainly derivatives from mortgages, and so they are

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[Latin]: in the first place

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derivatives from that industry where the trouble is economic and political at the same time. The fall of Lehman and other investment houses cannot be understood apart from Fannie and Freddie and the practices they have carried on.

John McCain and Barack Obama both made their first statements on the Lehman collapse on the Monday after it happened. McCain would make a much better statement four days later, on September 19, when he called attention to the fact that the problems at Lehman had to do with mortgages, which means they had to do with Freddie and Fannie. Also he, John McCain, had proposed legislation to reduce the risk in Freddie and Fannie. Those in the other party had opposed that legislation. These are points relevant to the campaign then underway and now lost. He might have made them first.

McCain's first statement following the events of September 7 was not, however, about these factual points. It was nonetheless important, in part because it was what he said before he had time to think. He said in part:

Enough is enough. Enough is enough. We're going to reform the way that Wall Street does business and put an end to the greed that has driven our markets into chaos. We'll stop multimillion-dollar payouts to CEOs that have broken the public trust.

Human Nature and Government

One imagines that there is plenty of greed on Wall Street. Greed is a moral vice, a failure of justice involving taking more than one's due. To eliminate greed would surely be a fine thing, as would the elimination of any vice. It would also be an astonishing achievement.

It would be astonishing for the simple reason that the teaching and practice of virtue, and the discouragement of vice, is a necessarily continuous and difficult challenge in human affairs. Not many of

us, likely, are simply vicious, simply practitioners of vice. But similarly, not many of us are simply virtuous, simply ready to do the right thing for the right reason all the time. Because we teach old books at Hillsdale College, and because we are serious about character education, we learn a certain humility about this matter. The great books beckon us to a road upward. It is not an easy road to travel, but along it lay our hopes for happiness and well-being. Along the way we all stumble, and some of us refuse even to begin the journey.

Should we build our political institutions upon the elimination of greed? A caution stirs the mind immediately at the thought of it.

James Madison writes in *The Federalist Papers* about faction, about our making combinations to serve our interests, even when those interests do not correspond to the public interest. One will read in vain to find the chief author of the Constitution suggesting that faction, much less greed, could ever be eliminated. Rather, he writes that "Ambition must be made to counteract ambition. The interest of the man must be connected with the constitutional rights of the place." In other words, we must build our political institutions to operate around the problem of human vice, to mitigate that problem by discouraging vice, but also to place our interests in alignment with the public interest. "Liberty," writes Madison, "is to faction what air is to fire." To eliminate the effects of self-interest would be to eliminate freedom itself.

This is, then, just the point. The Constitution of the United States is a document full of safeguards. It sets out to do two things: first, to build a powerful government, competent to defend our rights against oppressors both foreign and domestic; second, to limit that government, and to arrange its powers, so as to render it, itself, harmless to the liberties of those it governs. That is why we have the key devices of the Constitution: separation of powers; federalism, which requires a federal government of enumerated and not unlimited powers; bicameralism; the Bill of Rights.

Seeking to justify this set of arrange-

HILLSDALE COLLEGE FOUNDERS

Hillsdale College friends and supporters gathered recently in Colorado Springs for a **\$608 million capital and endowment campaign**, which has been extended through

THE FOUNDERS CAMPAIGN—

which pays tribute to the founders of Hillsdale College and the founders of our nation—is designed to meet specific goals vital to securing Hillsdale's independence and increasing its influence nationwide, including the following:

- Construction of a new chapel/performance auditorium, an archive center, and an outdoor firearms educational facility
- Renovation of the Allan P. Kirby, Jr. Center for Constitutional Studies and Citizenship (Washington, D.C.) and several campus buildings and dormitories
- Endowments for student scholarships and loans; faculty chairs; *Imprimis*; and operations of the Kirby Center, the Hoogland Center for Teacher Excellence and the Graduate School of Statesmanship

For more information, please e-mail founders.campaign@hillsdale.edu or phone (517) 607-2600.



Top left: Peter Pace, former Chairman of the Joint Chiefs of Staff, with Hillsdale College Trustee Robert F. Kizer, '59, and his wife, Marian

Bottom left: The Hillsdale College Chamber Choir, which performed in Colorado Springs



ments in *Federalist* 51, Madison explains the need for them by reference to the imperfection of man. He compares us to angels, which relative to humans are less given to greed. In a beautiful passage, Madison explains that the reason we humans require government is also the reason why government must be limited:

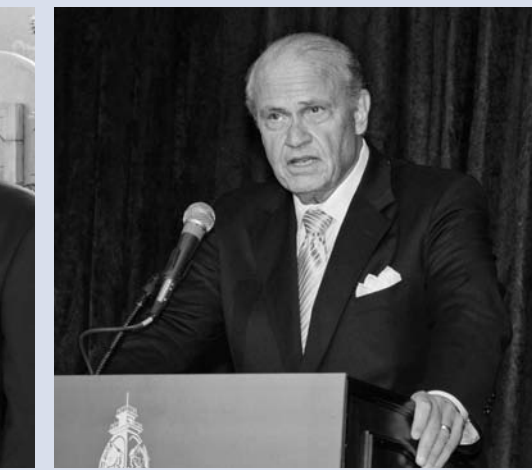
But what is government itself
but the greatest of all reflections

on human nature? If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary.

This lovely and telling passage connects *The Federalist Papers*, and also the Constitution, to the structure of law and the structure of nature that is also pres-

ERS CAMPAIGN

an update on its
a June 2012.



Top right: Former U.S. Senator Fred Thompson

Bottom right: Hillsdale College Trustee Jack Stalsby with Hillsdale College sophomore Joseph Gord, recipient of a Jack E. and Greta W. Stalsby Grant



Statue of George Washington on the main campus of Hillsdale College. Statue sculpted by Hillsdale College Associate Professor of Art Anthony Frudakis.

ent most beautifully, among political documents, in the Declaration of Independence. And it follows immediately after a statement by Madison that, in order to be sure that government departments will not grow beyond the scope intended for them by the Constitution, the necessary “personal motives,” along with the “constitutional means,” must be combined to resist this.

Of course John McCain must know,

in his heart of hearts, the truth of what Madison says. He must know it much better than I do, or than nearly any of us does. He is a man of proven virtue. Last year a young lady graduated from this college whose father was a roommate of John McCain in Hanoi. He, a brave man himself, testifies to the courage of John McCain, as do so many others. John McCain must know that the moral virtues, as well as the intellectual virtues,

are rare and precious gifts, held in fullness only by a few.

He must also know that the relative supply of greed probably does not change very much from year to year. Living alongside their neighbors under equal laws that give them responsibility and authority over their lives, most people behave pretty well. Most people behave pretty well on Main Street, and most people behave pretty well on Wall Street, when they live under good laws and bear the risk of their own behavior. And if they do behave in reckless and dangerous ways, in ways that suddenly threaten the prosperity of all of us, then perhaps it is not their virtue that has altered but something else.

In a splendid essay in *Forbes* magazine published on November 10 (“How Capitalism Will Save Us”), Steve Forbes explains very well what that might be. It is worth saying, over and over, that someone should make Mr. Forbes Secretary of the Treasury. In his essay, he writes that the problems we face are connected to two major government policies, along with some minor ones. The major ones are the subsidy of mortgages, including risky ones, by the government, and the inflation of the currency over the last four years. This inflation is the reason that gold has more than doubled in value. It is the reason that the dollar, until the last few months, slid relentlessly against world currencies for almost four years. Forbes writes: “Greed and recklessness always run rampant during bubbles, and the mania that engulfed housing and much of the financial sector was no exception.” These things have come together to make trouble.

The Art of Constitutionalism

I mention the art of constitutional government. I mean simply the art that provides good laws directed to encouraging free people to govern themselves. The national defense, secured so well as human contrivance can secure it, has a high place in this art. So too does the provision of a stable

currency. So too does the protection of property and contracts. So too does the maintenance of a tax burden that does not stifle labor, savings, and investment.

Of course this list leaves out most of the federal government as we have it today. Very much and probably most of what we have today cannot be eliminated. It should, however, be managed in a new spirit. Under that spirit, decentralized administration of things would be achieved wherever possible. Under that spirit, the delegation of public goods to private and to local action should be pursued ardently. We have learned, for example, at Hillsdale College that we can achieve very little by the promulgation of rules. They are best when they serve to unite us all in the pursuit of a common mission. Students, we find, cannot be taught except when they work hard at learning; at every moment they must be helping. When they do, the classroom becomes an inspired place where teacher and student learn together. Against this truth, the hundreds of pages of unreadable rules that are promulgated and elaborated year after year by the Department of Education seem like so much foolishness.

There are models in our past of this art that would be worth studying again today. They include the wonderful Northwest Ordinance, which provided the largest subsidy to education in our nation’s history, and which contained no element of federal management. They include the great Homestead Act, signed by President Lincoln, which gave federal land to any citizen who would agree to live on it and work it. The way out of our entitlement mess is implicit in such acts as these. Everyone should have the chance to work and save. Everyone should have the maximum ability to store up the fruits of his labor for his future, his family, and for those charitable causes that Americans support, and have always supported, like no other people in history. One need only read these short, principled and beautiful laws, and compare them to the kind we pass today, to see the difference. It is not details that should be legislated, but rather grand things, especially ends. We should

be seeking to recover in our laws the grand and sublime simplicity of which the Constitution is a beautiful example.

If you want a contemporary picture of how these kinds of laws would look today, read a speech by Congressman Ryan of Wisconsin on entitlements. He has a mastery of that subject, and he speaks with a sublime simplicity about even complex things. His ideas, and all like them, should be united under the principle of recovery through return. The legacy of our nation is the richest political treasure in the modern world. It is there to be summoned.

The economic storm will pass, God providing. Our college has so far weathered that storm handsomely, having entered it in a position of historic strength, having a strong balance sheet, and having a conservative investment strategy that has so far done much better than the markets. None of the problems that are upon our nation need be fundamental and probably will not be.

What is fundamental is the purpose and function of our political system. Either we shall have limited government, in which a few vital things are tended to with a careful eye and strong but limited powers, or else we shall attempt to allocate the labor and capital of the nation by force of law. This second will make a disaster of a kind not seen in this country from its first days.

I began by saying that we must recover our appreciation of the beauty of constitutional government. That beauty consists first of all in an appreciation for the place of man in nature, not so high as the angels, not so low as the beasts. To recognize that place is to recognize the dignity of every human being and the responsibility to defend the rights written by the hand of the Creator in man's nature. It is to recognize also that, just as government is necessary, it is for the same reason necessary that it be limited.

It cannot make angels of us. It cannot be run as if angels were in control of it.

When one sees that these principles are written in the Declaration of Independence and in the Constitution, he begins to see then what a revolutionary thing was achieved here in our nation. He begins to see the reason why for two centuries and more the American people have been the last best hope of mankind on earth. By becoming a student of his country, the citizen becomes again an intelligent lover of it.

Hillsdale Goes to Washington

At Hillsdale College, these principles and the books in which they are explained have been part of our curriculum for more than 160 years. Today we teach them at least as intensely as any institution on earth, for the simple reason that we teach them to every student. Now, I am pleased to report, we have also begun to teach them to our students in Washington, D.C., where our Allan P. Kirby, Jr. Center for Constitutional Studies and Citizenship has opened. It operates under the direction of the tireless and highminded Virginia Thomas and her colleague of the same quality, David Bobb.

The purpose of the Center, like the purpose of the College, is to teach. We will teach our own students who are in Washington serving as interns or on fellowships. We will teach also anyone else

who has the two qualifications to be a successful student: they must be willing, and they must be able. We believe, and also we pray, that this activity proceeding in that city will ignite again first a knowledge, then a respect, and finally a love, for the things our nation has given to its own citizens and to the world. ■



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DID YOU KNOW?

Two members of the Hillsdale College faculty have recently published important and timely books. Burton W. Folsom, Jr., Charles F. Kline Chair in History and Management, is the author of *New Deal or Raw Deal? How FDR's Economic Legacy Has Damaged America* (Threshold Editions); and Thomas L. Krannawitter, Assistant Professor of Political Science, is the author of *Vindicating Lincoln: Defending the Politics of Our Greatest President* (Rowman & Littlefield), a selection of the History Book Club.